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No. 07-304

FILED
OCT 19 2007
OFFICE OF THE CLERK
SUPREME COURT, U.S.

IN THE

Supreme Court of the United States

STRYKER CORPORATION, STRYKER SALES CORPORATION, STRYKER ORTHOPAEDICS and HOWMEDICA OSTEONICS CORPORATION,

Petitioners,

v.

ACUMED LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioners' corporate disclosure statement was set forth at page *ii* of their Petition for a Writ of Certiorari, and there are no amendments to that statement.

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Petitioner Stryker Corporation ("Stryker") respectfully submits this Reply in support of its Petition for a Writ of Certiorari to address new points raised in the Opposition Brief filed by Respondent Acumed LLC ("Acumed").

I. THE MAJORITY AND DISSENTING OPINIONS IN THIS CASE ILLUSTRATE THE FEDERAL CIRCUIT'S IRRECONCILABLE DUAL CLAIM CONSTRUCTION METHODOLOGIES

Acumed argues that the Federal Circuit did not consider any dictionary definitions in this case and therefore, this case does not fall within either of the "irreconcilable methodologies" framed by Stryker. Acumed's argument ignores the record of this case.

The primary issue presented to the Federal Circuit pertaining to the construction of "transverse holes" was whether "transverse" should be construed in accordance with the broadest available dictionary definition not expressly disavowed in the specification, or whether "transverse" should be construed in a manner consistent with the specification (and, here, a narrower dictionary definition) absent any other affirmative indications of claim scope. (Stryker's Appeal Br., pp. 39-44; Acumed's Appeal Br., pp. 37-42; Stryker's Reply Br., pp. 9-16; Stryker's Petition for Rehearing, pp. 2-8; Acumed's Response to Petition for Rehearing, pp. 1-8; Claim Construction Hearing, p. 52-85).

It is irrefutable that the District Court relied on the broader dictionary definition in construing the claim term "transverse." The majority decision is similarly based on the same dictionary definition. To be sure, the majority tries to mask its reliance on the broader dictionary definition by cryptically and without explanation stating "While the disclosed embodiment possesses 'transverse holes,' the claim language covers all 'transverse' holes – a word that does not necessarily imply right angles"

(App. 12a), and "we decline to impose a construction *narrower* than the term's ordinary meaning." (App. 16a). There is no explanation of what constitutes the term's "ordinary meaning" or how the majority decided that "transverse" "does not necessarily imply right angles."

However, as pointed out by the dissent,

> What, if not the specification, is the majority using to determine the plain meaning of this term? The district court based its conclusion regarding the plain meaning of transverse on Webster's Dictionary, which it acknowledged supported both the definition across and perpendicular. In the present case, as in *Nystrom*, I see no reason why we should adopt one, broader, plain meaning of the terms 'transverse' when there is another plain meaning that is completely consistent with the intrinsic evidence. When one begins with the patent specification, in my opinion, there is no doubt which of the two meanings of 'transverse' is correct.

(App. 33a).

Indeed, the very conflict that Stryker petitions this Court to resolve pertains to clarifying the role of dictionaries in construing patent claims. This conflict is a plague on the patent bar and district courts across the country because there currently is no guidance as to how to properly construe a patent claim. Under one Federal Circuit methodology, the so-called "ordinary meaning" of a claim term can provide claim scope broader than that contemplated by the inventor or reasonably ascertainable by the public. Under another methodology, the claim term is given a scope commensurate with the patent disclosure. Until all appeals are exhausted, it is impossible for anyone to predict with reasonable certainty how a claim term will be construed. This Court's intervention is necessary.

II. CONTRARY TO ACUMED'S REPRESENTATION, THERE HAS BEEN NO FINDING OF WILLFULNESS UNDER *SEAGATE*

Acumed contends that the willfulness jury instruction "was consistent with the *Seagate* holding," and that the District Court has since "held that Stryker's conduct constituted willful infringement under *Seagate*." Acumed's arguments are misguided.

A. The Jury Was Not Instructed in Accordance with *Seagate*

Acumed cites to a portion of the jury's instruction on willfulness, arguing that the jury was *not* instructed under the now-overruled "duty of due care" standard but was rather instructed under a reasonableness test "consistent with *Seagate*." In particular, Acumed cites to the first portion of the jury instruction, which states

> To prove willfulness, Acumed must persuade you it is highly probable that, A, Stryker had actual knowledge of the '444 patent; and, B, Stryker did not have a reasonable basis to believe, one, Stryker's T2 nail product did not infringe the '444 patent or, 2, the '444 patent was invalid.

(Acumed Opp., p. 22).

Of course, the cited excerpt does not describe the *Seagate* test but is rather the precise "duty of due care" standard that was overruled by the Federal Circuit in *Seagate*.

The full jury instruction unmistakably shows that the jury was expressly told to consider subjective factors pertaining to Stryker's state of mind:

> In deciding whether Stryker committed willful infringement, you must consider whether Stryker independently designed its T2 nail or intentionally copied a product of Acumed covered by the '444 patent; whether Stryker, when it learned of the '444 patent, investigated the scope of the patent and formed a good-faith belief that the patent was invalid or that it was not infringed; whether Stryker had a substantial defense to infringement and reasonably believed that the defense would be successful if litigated; whether Stryker made a good-faith effort to avoid the '444 patent; and whether Stryker relied on a legal opinion that appeared to it to be well-supported and believable and that advised Stryker, one, that the T2 nail did not infringe the '444 patent or, two, that the '444 patent was invalid.
>
> In evaluating Stryker's reliance on the advice of a lawyer, you should consider when Stryker obtained the advice, the quality of the information Stryker provided to the lawyer, the competence of the lawyer's opinion, and whether or not Stryker relied upon the advice. Advice is competent if it was based upon a reasonable examination of the facts and the law relating to validity and/or infringement issues, consistent with the standards and practices generally followed by competent lawyers.

(R. App. 8a). The jury instruction was adapted from the Model Patent Jury Instructions for the Northern District of

California, which were last updated on September 20, 2004, and were based on the Federal Circuit's then-existing willfulness standard.

The willfulness jury instruction in this case is missing the single most important aspect of the *Seagate* standard: a consideration of whether or not Stryker's actions were "objectively reckless." *Seagate* teaches that subjective intent is irrelevant to the objective inquiry of whether the infringer acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768, at *23 (Fed. Cir. August 20, 2007) ("The state of mind of the accused infringer is not relevant to this objective inquiry."). The correct inquiry is whether Stryker's actions were objectively reckless, i.e., whether clear and convincing evidence shows that Stryker acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent." *Id.*, at *22-23. The willfulness instruction provided to the jury in the present case did not comport with the Federal Circuit's new *Seagate* standard.

B. The District Court Did Not Hold That Stryker's Infringement was Willful Under *Seagate*

Acumed improperly suggests that the *Seagate* standard would not change the outcome in this case. As support, Acumed contends that "on remand, the District Court held: "I can assure you that if I had applied that [Seagate] standard as articulated in August of 2007, I still would have found willfulness here on this record." (Acumed Opp., p. 21). The District Court's statement cannot reasonably be considered to be a "holding" or even a "finding."

As an initial matter, the determination of willfulness is a question of fact for the jury, not for the District Court. The District Court's comments, however, confirm the need for a fair determination of willfulness or nonwillfulness under the *Seagate* standard in this case.

Here, the parties were never given an opportunity to present the willfulness issue to the jury under *Seagate*, *nor was the issue ever briefed* before the District Court.[1] Indeed, when *Seagate* issued on August 20, 2007, Stryker sent a letter to the District Court to inform her that the decision had issued, and that Stryker believed that *Seagate* was directly relevant to Acumed's pending motions for a permanent injunction and for enhanced damages on post-verdict sales, which had already been briefed but which were set for oral argument on September 27, 2007.[2] Stryker's letter did not

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1. The District Court had originally issued a permanent injunction in February, 2006. Shortly thereafter, the Federal Circuit stayed injunctive relief pending appeal, during which time Stryker paid monies into escrow for each unit of the accused product sold during that interim period. The Federal Circuit later rendered a split decision on liability and willfulness, but vacated the District Court's permanent injunction and remanded for a determination under the four-factor test articulated in this Court's *eBay* decision. On remand, Acumed filed a motion for permanent injunction and a separate motion for enhancement of the post-judgment amounts placed into escrow by Stryker. The willfulness issue was not remanded to the District Court, as *Seagate* had not yet been decided.

2. Since enhanced damages requires a finding of willfulness and since enhanced damages is a discretionary determination based on the totality of circumstances, Stryker believes that it is appropriate for the District Court to consider the questionable nature of the willfulness finding given the Federal Circuit's acknowledgment that the old standard violated Supreme Court precedent in connection with *denying* enhancement of the post-verdict escrow amounts.

contain argument, but rather was confined to bringing the case to the District Court's attention and quoting relevant portions of the case. While Stryker offered to provide supplemental briefs on the issue, the District Court did not request any briefs. Nor did the District Court acknowledge that *Seagate* sets forth a new "objectively reckless" standard for willfulness. Indeed, there is no indication whatsoever that the District Court's comments were based on a studied analysis of the facts of the present case under *Seagate*.

A review of the totality of the District Court's comments on *Seagate* confirms that her focus was solely on subjective factors,[3] and not the "objectively reckless" factor that forms the basis of Stryker's request for GVR. For example, after Stryker argued, for the first time before the District Court, that there could be no "objective recklessness" in the present case in view of multiple findings by the District Court, the Federal Circuit and the Patent Office demonstrating the closeness of the infringement and invalidity case, the District Court commented:

> This is not a helpful piece of argument. And if this is all you're going to go back, I don't want to hear it any more. I've heard it too many times.

(R. App. 4a-6a). Until the September 27, 2007 oral argument, Stryker had not, in fact, ever had an opportunity to argue "objective recklessness" because *Seagate* issued after briefing on the motions was completed. Thus, it is clear that the District Court's comment about "that standard as

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3. Acumed focuses on subjective factors, such as Acumed's "spin" on the evidence, rather than objectively examining the reasonableness of Stryker's noninfringement and validity positions, as required by *Seagate*.

articulated in August of 2007" at the hearing could not have been intended to address the "objectively reckless" factor of *Seagate*.

In any event, as of the present date, the District Court has not yet issued a ruling on Acumed's motions. The District Court's comments during oral argument were not intended to be final holdings, as the District Court expressly notified the parties after the hearing that it was taking the motions under advisement. (R. App. 1a-2a).

This case is a perfect candidate for a GVR based on the new willfulness standard articulated in *Seagate* because the Federal Circuit can reverse the willfulness finding as a matter of law based on the unusual record in this case. Here, as a matter of law, any infringement by Stryker cannot meet the "objectively reckless" standard because three neutral institutions separately found Stryker's liability arguments to be objectively reasonable. *Seagate*, 2007 U.S. App. LEXIS 19768 at *22-23 ("to establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.").

Unlike typical cases, the District Court made affirmative findings in two separate orders that the liability and willfulness case was close. (App. 63a; App. 73a). The Federal Circuit rendered a split decision on liability and earlier stayed injunctive relief, thus finding, at a minimum, that Stryker presented a "substantial case on the merits." (App. 26a-35a; App. 39a). The Patent Office rejected the majority of the asserted claims during reexamination initiated by a third party based on the very prior art relied upon by Stryker at trial. Prior to selling the accused product in the United States, Stryker also obtained a detailed opinion from an experienced

patent attorney describing why the patent-in-suit was invalid or not infringed.[4] The same noninfringement and invalidity defenses were set forth at trial in this close case. Few cases present such clear, objective indicators that negate a finding that Stryker acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent."

A GVR[5] remanding the case to the Federal Circuit for review under the new *Seagate* standard is appropriate.

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4. Acumed unfairly argues that Stryker ignored the "warnings" of two attorneys. The "warnings" relied upon by Acumed include (1) a 2-page letter from one of Stryker's outside German attorneys, Edo Graalfs, to Stryker's outside patent attorney, Ray Augustin, requesting that Mr. Augustin obtain the file history of the patent-in-suit and find a structure that would not infringe the patent, and (2) Mr. Augustin's 3-page internal memo to file, containing comments regarding his preliminary assessment of infringement and invalidity based on the then-existing design of the accused product. Almost one year later, Mr. Augustin completed his assessment of the patent-in-suit based on the current design of the accused products. Prior to launching the accused product in the United States, Mr. Augustin provided to Stryker his final, 18-page, detailed opinion of counsel describing why the current accused product did not infringe any valid claim of the patent-in-suit.

5. Acumed's suggestion that *Seagate* should not be applied "retroactively" is misplaced. One of the precise reasons that this Court uses "GVR's" is to address the very situation present here, where intervening developments in the law were not considered by the lower courts. *Lawrence v. Chater*, 516 U.S. 163 (1996). Here, the Federal Circuit's *en banc* decision in *Seagate* was issued shortly after the Federal Circuit's decision on the merits of Stryker's appeal, thus falling precisely in the appropriate window for GVRs.

CONCLUSION

For all of the foregoing reasons, the petition for writ of certiorari should be granted.

Respectfully submitted,

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